



ROYAL ECONOMIC SOCIETY

NEWSLETTER

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ROYAL ECONOMIC SOCIETY

Can popular reporting ever be accurate?

Most researchers are pleased to see their work receive the maximum public attention, especially if the work relates to a topical or popular issue. Unfortunately, the undoubted skills of journalists in the print and broadcast media — in spotting the essentials and translating into brisk and direct language — are not always up to the task of protecting the meaning. Pressures of speed and space mean that important qualifications get lost and for journalists not routinely working with numbers it is easy to confuse levels with rates of change (and when it comes to changes in rates of change...) Who has not heard the the early morning report of lower inflation rendered as a fall in the price level, or associations rendered as causality?

In this issue, Angus Deaton recounts the fate of a paper recently published by the NBER which seemed (to some at least) to tell a simple story about the association between height and other generally desirable characteristics. The simplification of this quite complicated story and the degree of wishful interpretation that went with it in the popular media, is breathtaking. Not so amusing is the personal abuse to which the authors were subsequently treated.

This is a full issue, containing, in addition to Angus's 'letter', the Secretary-General's Report (held over from the July issue) and an interesting article from Andrew Oswald about the dangers of letting journal reputations influence the evaluation of research. There are two reports from major conferences as well as a lively correspondence section and the usual news items, obituaries and conference information.

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Next issue

Newsletter No. 136

Articles, features, news items, letters, reports etc. should be sent to the Editor by:

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Items concerning conferences, visiting scholars and appointments should be sent to the Information Secretary by:

16 December 2006

Contributions from readers

The *Newsletter* is first and foremost a vehicle for the dissemination of news and comment of interest to its readers. Contributions from readers are always warmly welcomed. We are particularly interested to receive **letters** for our correspondence page, **reports of conferences and meetings**, and news of **major research projects** as well as **comment on recent events**.

Readers might also consider the *Newsletter* a timely outlet for comments upon issues raised in the *Features* section of *The Economic Journal*. We can normally get them into print within three months of receipt.

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Secretary-General's Annual Report

The Secretary-General, Professor Richard Portes, presented the following report on the Society's activities to its Annual General Meeting, held on 18th April¹ during the 2006 Annual Conference at Nottingham.

THE RES ANNUAL CONFERENCE returns this year to Nottingham, where we have had very successful meetings in 1999 and last year. The local organisation will doubtless be extremely efficient this year as well, and the facilities of the East Midlands Conference Centre provide an excellent environment. The Conference offers members of the Society the opportunity to discuss their work and the issues facing economics in the UK and elsewhere. The Royal Economic Society itself, however, has a wide range of activities. My report will discuss our journals, the work of our various committees, and how RES expenditures support our members and the progress of our discipline.

This year there are two new RES projects which should interest our members, as well as the first full report of the new team of editors of the *Economic Journal*.

John Sutton has continued to preside over the Council and its Executive Committee, with a clear vision of what he wants the Society to do. With the Treasurer, Penelope Rowlatt, he led a study that brought us to change our investment policies. He also led the discussions in Council and CHUDE of our new 'job market' initiative. This will be John's final year as President, marked by the Presidential Lecture which he will deliver at this conference. I am pleased to announce that his successor will be John Vickers, who has returned to academic life after five years at the head of the Office of Fair Trading.

The Council, who are also the Trustees of the RES (as an educational charity), meets annually and occasionally consults by email. It makes the final decisions on major policy proposals. New members are elected each year, and we welcome at this AGM six recently-elected members of the Council: Rachel Griffith, Jim O'Neill, Avinash Persaud, Patricia Rice, Katharine Rockett, and Jonathan Temple.

In 2006 the RES launched a new event: our 'Job Market', at which final year PhDs present their work and meet prospective employers. This took place at the London School of Economics on 29-30 January. It was organised by Leonardo Felli. 100 aspiring academics (chosen from

170 who applied) and 25 departments of economics interacted, and we shall soon survey the job market entrants to ascertain what role this meeting played in their ultimate placement. We had a mix of UK-based and other European participants — about one-third of the job seekers and one-third of the departments represented came from elsewhere in Europe.

A second new initiative is the project seeking to locate, catalogue and find appropriate homes for the archives of contemporary (1950-2000) economists working in Britain. This effort to 'preserve the economic memory' is described in detail by Donald Winch in the January 2006 RES *Newsletter*. As results accumulate, we shall post them on the RES website.

Publications

The new team of editors of the *Economic Journal* reported to Council in November on the progress they had made since taking up their duties in July 2004. The report appears in the January *Newsletter*, so I give only a few highlights here. The new editors are Andrew Scott, who serves as coordinating Managing Editor, and is joined by Leonardo Felli, Steve Pischke, Jaume Ventura and Steve Machin. One of their first achievements was to assemble a truly outstanding group of 19 Associate Editors from all over Europe and the United States. The new software providing 'straight-through' electronic processing of manuscripts, together with the efforts of all the editors and the new administrator, Heather Daly, have reduced the average time from submission to an editorial decision from 25 to 14 weeks since 2003. This is an outstanding performance, and the editors hope to improve upon it still further. It should be an incentive to top-level potential authors. They will also be impressed by the performance of the *EJ* in the impact factor league tables: with an impact factor rising from 1.134 in 2002 to 1.723 in 2004, the *EJ* ranked 15th among economics journals, one notch ahead of the *American Economic Review*. We seem already to be seeing the effects: submissions rose by a full 40 per cent from 2003 to 2005.

The *Econometrics Journal*, our fully electronic product, continues to thrive under the managing editorship of

Karim Abadir. During the coming year, he will hand over to Richard Smith.

Our quarterly *Newsletter* is the primary source for information about the RES and its activities - and much more. Peter Howells, the Editor, has just expanded it from 24 to 28 pages. But he would like to see more 'news' items to add to the features that he commissions. There must be newsworthy material coming out of UK university departments of economics that would interest a broader segment of the profession — we hope to hear from you.

The media now give substantial coverage to *EJ* papers and to the Annual Conference. They are guided past the equations by our media consultant, Romesh Vaitilingam, who does a superb job in bringing relevant material to the attention of journalists. There are several pieces in the newspapers since last Thursday about papers to be presented here in Nottingham. The Society's media efforts continue to be a model for other disciplines, and we are determined to build on this to enhance the public profile of economics and demonstrate its relevance.

Annual Conference

This is the first Annual Conference overseen by our new Conference Secretary, Robin Naylor, who has succeeded the long-serving and much appreciated Jonathan Haskel. Gavin Cameron, the Programme Chair for this Conference, has assembled an excellent programme of both contributed papers and invited sessions. The invited lectures are being given by Colin Camerer (Hahn), David Card (Sargan), and Narayana Kocherlakota (*Economic Journal*). The *EJ* Conference issue has been brought under the control of the main *EJ* editorial team, with Steve Machin taking a guiding role, helped during the transition by Carlo Perroni, who co-edited the issue coming out of last year's conference. The local organiser at Nottingham is again Steve Humphrey, to whom many thanks. We continue our now traditional series of reports on the conference written by distinguished economic journalists — last year's report, by Heather Stewart of the Observer, appeared in the July *Newsletter*, and this year Chris Giles of the *Financial Times* will be covering the highlights of the proceedings.

RES Committees

The Committee on Women in the Economics Profession is now chaired by Jane Humphries. CWEP recently conducted another major survey of UK economics departments to obtain the essential statistical material to underpin its activities. Preliminary results show significant, albeit slow improvement of the status of female academics in the UK. The Society continues its interchanges with funders and users of economic research and employers of economists through the Research Liaison (with ESRC) and Public Sector Economists Liaison Committees. Denise Osborn is in her final year as chair of the

Committee of Heads of UK Departments of Economics (CHUDE), which met this morning. Its agenda included an extensive discussion of the 2008 Research Assessment Exercise. The new chair of CHUDE will be Neil Rickman, and Tim Worrall will succeed Alan Carruth as the Secretary. I can testify to the outstanding contribution that the outgoing chair and secretary have made to CHUDE's work, which is extremely important for UK academic economics.

The fifth in the series of Annual RES Lectures launched by the committee was given by Paul Seabright in December. He spoke in both London and Edinburgh, on 'The biology and economics of the sex war'. The lectures in this series — from globalisation through health economics — show that the best of economic analysis can speak powerfully to the most complex of policy problems. Paul Collier will deliver the sixth lecture in the series in December of this year.

Support for members

Despite our decision to keep the membership subscription frozen for the seventh consecutive year, the RES is determined to continue its support for activities that we believe are of considerable benefit to members and the profession at large. The Society is again offering six Junior Fellowships this year (applications are due by 12 May). The annual Easter Schools in economics and econometrics, each lasting for a week, attract considerable excess demand from advanced PhD students and new faculty. That is because of the exceptionally high standing of those who come to lecture — this year, for example, John Hardman Moore and John Vickers on 'Contracts and Competition', as well as Manuel Arellano and Steve Bond on 'Dynamic Panel Data Estimation'. We are grateful to ESRC for its support of these training workshops, which we very much hope will continue. These are among the most successful training activities known to us, with an exceptional track record. We continue to offer small grants for support of research as well as conference grants. Anton Muscatelli now administers these funds, with great efficiency and fairness.

RES administration

The smooth functioning of the Society has for many years depended heavily on the efforts of Kathy Crocker, our Membership Secretary, and Eleanor Burke, the Administration Officer who works with the Secretary-General. We are always happy to respond to any queries from members.

Editor's note:

1. References to relative dates should be read with this in mind.

Letter from America —

American shortcomings: the highs and lows of publication

In his latest letter from America Angus Deaton shows how difficult it can be to ensure a serious discussion of research findings, especially when they touch on sensitive issues.

Americans always used to be the tallest people in the world. Some have argued that this was true even before Europeans set foot on North America. But the new Americans were taller too, and they established the advantage as early as the late 18th century. The wide-open, fertile, and healthy prairies were better places to grow up than the polluted European cities of the industrial revolution, not to mention the marginal agricultural land from which many immigrants came. But no longer. Mean heights of Americans are now less than mean heights in several European countries, not only in the Netherlands, which leads the world, but even in such apparently unpromising places as the erstwhile East Germany. After the birth cohort of 1960, it seems that Americans stopped growing, at least upwards. Why this should have happened is not understood. Nor is it clear whether anyone should be concerned. Governments are not held accountable for the heights of their populations, there is no international competition in mean height, nor has the United Nations added height to its human development index.

Taller is better?

Perhaps they should, according to a recent working paper by my Princeton colleagues Anne Case and Christina Paxson. Although their paper does not say so in so many words, the basic argument is that, at least on average, taller people are smarter. The paper, under the not obviously inflammatory title, ‘Stature and status: height, ability, and labor market outcomes’, was posted on the National Bureau of Economic Research’s website in mid-August. Much of the argument is about long-known regularities: taller children do better on cognitive tests; taller adults earn higher wages—about 2.5 percent per additional inch on average—and taller children become taller adults—height at age three explains about 75 percent of the variance in adult height. The new argument is that there is a plausible link. The labor market premium to adult height

is eliminated once we control for the results of cognitive tests taken in childhood. And taller people select not into jobs and occupations that require brawn, but into those that require brains. Case and Paxson also outline a reasonable mechanism. Nutrition and health *in utero* and in childhood affect both cognitive and physical development, so that those who do not fulfill their genetic potential in one dimension may not fulfill it in the other. As they emphasize, this does not imply that men are smarter than women, and indeed there is no difference in their average scores on cognitive tests. Their paper is silent on national or historical differences, but if we suppose that the inhabitants of the eighteenth century were nutritional-

“ Although their paper does not say so in so many words, the basic argument is that, at least on average, taller people are smarter. ”

ly deprived relative to their potential, they were possibly also short of their full cognitive potential, and the same may be true of people in poor countries today. And per-

haps Americans should indeed be concerned about their recent shortcomings relative to the Dutch, the Swedes, or even the Germans, not to mention the Indians and Chinese roaring up behind them. There is also a worldwide secular upward trend in IQ scores that might, or might not, have something to do with the worldwide secular improvement in nutrition and the associated trend in stature.

Getting a fair reading

If I am misinterpreting, that is nothing compared to the reaction of some readers. The NBER Working Paper was picked up by Reuters news service under the title ‘Taller people are smarter’, and, in some versions, over a photograph of Peter Crouch. Reuters has a link to Yahoo News, from which the item was the top download among all news stories for several consecutive days. The paper was downloaded from the NBER website two thousand times in the next week. Discussions appeared in many blogs, and reasonable and well-informed comments have appeared or are planned in publications as diverse as *The New Yorker*, *Scientific American*, and *Men’s Health*. But

the *Washington Post* presented the statement 'Taller people are smarter' as a direct quote, having excised the words 'on average,' turning it into a truly inflammatory challenge. And then there were the hate mail and phone calls. Apart from the perhaps surprising fact that substantial numbers of people will send obscene email (from their own accounts) to people they do not know, notable were the 'comments' from self-proclaimed short men, who seemed mostly upset that such views should have come from academics who were women, (aka 'elitist bitches') and whose suggestions for correction and redress were frequently in explicitly sexual terms. Americans may or may not have reason to be concerned about their diminishing relative height, but they certainly are sensitive on the subject.

There are other, quite different issues raised by this story. Case and Paxson, like the rest of the profession, will now submit their paper to an academic journal in economics. If they are lucky enough to find a home for it in one of the leading journals, the results will be published in perhaps the spring of 2009. But what does 'published' mean exactly, for a paper that has already been downloaded thousands of times, whose summarized contents have been read by many more thousands, and when the entry case+paxson+height+princeton returns 15,900 hits on Google? Whatever the economics journals are doing, 'publishing' is hardly an accurate description. It has long been the case in the medical sciences that not only the public, but also many professionals, gain their new knowledge from often ill-informed and always incomplete press reports, but medical papers have been (at least minimally) reviewed prior to press exposure. Indeed medical (and most science) journals will not publish papers that have been previously circulated or posted on the web. Perhaps economics journals need to move in this direction, promising rapid review in exchange for eliminating unreviewed dissemination. Presumably at least some of the newer electronic journals will speed things up, as will perhaps the brood of new journals that is currently being hatched by the American Economic Association. In the meantime, and as this story makes clear once again, the most important 'journal' in economics is the NBER working paper series. It provides a window through which the world watches economics, and where new work that catches the public imagination can be given wide coverage. The National Institutes of Health, which currently funds a great deal of economic research, including Case and Paxson's study, has officially classified the NBER papers, which are not refereed prior to 'publication', as publications for purposes of monitoring old grants and obtaining new ones. For the doctors and scientists who dominate NIH, the idea that publication might take years is too bizarre to credit, and they are relieved to know that the way economists 'really' publish is through the NBER. All of which is splendid for the NBER and for the researchers who are associated with it. Others, not fortunate enough to have the connection, have no 'write access', to this important publication, which is deter-

mined entirely *ad hominem*, or in this case, *ad feminam*. Elitist indeed. We must surely find some way of doing better.

Disclosure Note: The Case (5' 8") and Paxson (5' 9") paper is available, and freely downloadable, at https://www.wws.princeton.edu/rpds/downloads/Case_Paxson_Stature_Status_8312006.pdf. Anne Case is married to Angus Deaton (6' 4").

What do employers want?

The HEA Economics Network and the RES are jointly funding a project which will canvass the views of employers about the employability of economics undergraduates. The project aims to explore any mismatch between employers' requirements of economics undergraduates and current curricula and key skills embedded in economics programmes. It is anticipated that the findings will help economics departments throughout the country in the design and review of their programmes and inform the community's response to reviews of benchmark statements or similar.

The project has been initiated and led by Richard O'Doherty at UWE, Bristol. It is hoped that a summary of findings will be published in the April 2007 edition of this *Newsletter*, alongside a final presentation to members of CHUDE in their meeting at the RES conference at the University of Warwick.

(email: Richard.O'Doherty@uwe.ac.uk or tel 0117 3282423)

Houblon-Norman/George Fellowships

Applications are invited for Houblon-Norman/George Research Fellowships tenable at the Bank of England during the academic year 2007/2008. Appointments will be for full-time research on an economic or financial topic of the candidate's choice, preferably one that could be studied with particular advantage at the Bank of England. The length of any appointment will be by agreement with successful applicants, but will not normally be less than one month, nor longer than one year. Senior Fellowships will be awarded to distinguished research workers who have established a reputation in their field. Fellowships will also be available for younger post-doctoral or equivalent applicants, and for these, preference will be shown to British and other EU Nationals. The award will normally be related to academic salary scales.

Application forms (to be returned no later than **24 November 2006**) and details are available from: <http://www.bankofengland.co.uk/education/fellowships/index.htm> or by emailing the Houblon-Norman/George Fund account MA-HNGFund@bankofengland.co.uk Postal applications should be addressed to the Secretary to the Houblon-Norman/George Fund, Bank of England, Threadneedle Street, London EC2R 8AH.

Prestige Labels

As thoughts amongst researchers turn increasingly towards the 2008 Research Assessment Exercise (and its possible sequel), Andrew Oswald, University of Warwick, argues that journal reputations are a poor guide to the quality of the research that they publish.

Journal prestige labels — this is an *A* journal while that is a *B* journal — are deeply unreliable as a guide to the quality of individual articles. I think this fact is not as widely understood as it should be, especially among young economists.

One reason this matters, and may do so more in the future, is (as this *Newsletter* reported in April) that:

The Government's firm presumption is that after ... 2008 ... the system for assessing research quality ... will be mainly metrics-based.

(www.hm-treasury.gov.uk/media/20E/EA/bud06_ch3_192)

Another reason is that many young economists (and some older ones) have become obsessed with not what their research says but rather with where it appears in print. This is understandable but potentially dangerous. It undermines the real reason we do our work: to understand the world and with luck help to improve it. When the criterion becomes 'did she get the article into publication *A*?' rather than 'did she do something interesting that anyone would ever care about?' then, in my opinion, values have become corroded and our purpose distorted.

As, roughly speaking, senior scholars get to make the rules for the young, they have a responsibility, I would say, to dissuade a but-did-she-get-it-in-the-AER? obsessive attitude. One should look for a middle ground between not caring at all about journals and caring about nothing else.

Plainly, famous journals tend to be better than obscure journals. I mean by this that the average article in the former kind of journal is more lastingly interesting than in the latter. However, there is not as much information in this kind of statement as one might think.

Peters and Ceci (1982) did a nice experiment. It might not be allowed today. They resubmitted a collection of articles to the same journals that had recently published them. All the journals were distinguished academic research journals in psychology. The articles had originally been written by people from leading universities. When resubmitted, Peters and Ceci took off those authors' names, and inserted fictitious ones, and gave them fictitious affiliations from unknown universities.

What happened? The great majority of these (already-published) articles were rejected by the referees. Only in

a minority of cases, moreover, was it noticed by reviewers or editors that that paper had actually recently appeared in the same journal.

Another kind of evidence comes from Starbuck (2003). He is a distinguished researcher in management and business. For some years, Starbuck edited the famous *Administrative Science Quarterly*, which is the equivalent to the *American Economic Review* in economics or the *Psychological Review* in psychology. When he took over the editorship of *ASQ*, Starbuck did a study of the first 500 submissions he handled, and examined the referees' assessments of them (approximately 2 reports for each paper):

The property of these reviews that struck me most vividly was their inconsistency. A surprisingly (to me) small fraction of the reviewers agreed with each other. Counting an Accept as 1, a Revise as a 0, and Reject as -1, I calculated the correlation. It was 0.12. Given the large sample, this correlation was statistically significant... but ... it was so low that knowing what one reviewer had said about a manuscript would tell me almost nothing about what a second reviewer had said or would say.

(Starbuck 2003, p. 346.)

“ ...many young economists (and some older ones) have become obsessed with not what their research says but rather with where it appears in print. This is understandable but potentially dangerous. ”

In our country, the forthcoming Research Assessment Exercise will determine how much money goes to each department in more than 100 UK universities. To do this, a panel of experts will assess

the quality of every department in every university. On such assessments will turn many taxpayers' pounds. Italy and Australia seem likely to follow the UK's example and introduce a form of state-run university assessment exercise. Partly because of the size of the undertaking, there will be pressure on members of these peer review panels to use journal labels (*X* is a 4* journal, *Y* a 2* journal, and so on) in a mechanical way to decide on the quality of articles. Rumours of this, and guesstimates of the key list of journals, are circulating. Similar forces are visible elsewhere. Seglen (1997) notes the rising use of journal ratings as part of funding decisions in medical research. In the world of economics research, a fine Dutch research institute publishes a list of starred journals, ranked into categories of quality, to emphasise to its researchers that papers in certain journals should be viewed as of quality 'A' while others are of quality 'B'.

Some data

Earlier this year I tried in a small way to explore the reliability of prestige labels in economics, to be reported in Oswald (2006). The project might be viewed as related to papers such as Laband and Tollison (2003), and newspaper articles such as Monastersky (2005). It seems complementary to work such as Laband (1990), Oswald (1991), Laband and Piette (1994), Johnson (1997), Kalaitzidakis *et al* (1999), Frey (2003), Seglen (1997), Coupe (2003), and Starbuck (2003, 2005), and is a minor contribution to the field of scientometrics (van Dalen and Henkens 2005, Sussmuth *et al* 2006). There is some link to the useful work of information-science researchers such as Oppenheim (1995), who have shown that, in the UK, the departmental rankings that come out of the Research Assessment Exercise are correlated with ones that would have emerged from a citations-based departmental ranking.

Say we assume that after some decades the quality of a journal article is approximately known. One simple measure is that of impact as captured by the total ISI Web of Science citations the article has received (that is, the number of times the article has been quoted in later researchers' bibliographies).

Lots of research now uses citations to assess intellectual output and productivity. We know that U.S. professorial salaries are correlated with researchers' lifetime citations, and that citation counts are a fairly good predictor of Nobel and other prizes. And better universities are led by more highly-cited individuals. See, for example, Hamermesh *et al* (1982), Laband (1990), Garfield and Welljams-Dorof (1992), Toutkoushian (1994), Moore *et al* (1998), Van Raan (1998), Thursby (2000), Bayers (2005) and Goodall (2006).

Of course, citations are a rough and highly noisy signal of quality. Survey articles tend to garner citations more easily than regular papers; there may be some pro-US bias in citations; sometimes papers may be cited because they are known to be wrong (though it is actually hard to find important examples of this); citation numbers are more open to manipulation than are publications figures; for some individuals, self-citations can cause problems; and so on.

However, citations are one measure of scholarly influence. They are more than a label, one might say. Unfortunately, if the impact-factors of journals become distorted over time, as is, I think, bound to happen as citations attract greater publicity and authors and editors try to manipulate citations totals, then the reliability of citations data will decline in the future.

I took a selection of economics journals from 1981 (there was no particular reason for this year, but it was a quarter of a century earlier, and I assumed I needed to allow a long lag for the 'true' quality of a journal paper to be revealed). The winter issue of the year was examined for the *American Economic Review*, *Econometrica*, the

Journal of Public Economics, the *Economic Journal*, the *Journal of Industrial Economics*, and the *Oxford Bulletin of Economics and Statistics*. Data on lifetime citations were then collected on each article. The raw data are summarized in Oswald (2006).

The mean lifetime cites across these six journals followed the broad pattern that might be expected. The prestige labels are, in a sense, correct. Mean numbers of cites per article published in the issue were:

<i>AER</i>	68	<i>EJ</i>	30
<i>Econometrica</i>	63	<i>JIE</i>	9
<i>JPubEcon</i>	22	<i>OBES</i>	7

The top journals thus dominated. Similarly, median lifetime cites were:

<i>AER</i>	23	<i>EJ</i>	11
<i>Econometrica</i>	22	<i>JIE</i>	3
<i>JPubEcon</i>	9	<i>OBES</i>	2

But the variation of true quality — as measured by cites — was enormous. Consider, as a benchmark, the median number of cites to an article after a quarter of a century. In the two elite journals here, it was approximately 22 cites. A natural question is then: how many of the articles published in the other four journals turned out to exceed that level? These 'should', in principle, have appeared in the top journals. The answer was approximately 16 per cent of the articles in lesser journals.

To put things in a starker way, I find in my data that it was far better to publish the top article in an issue of the *Oxford Bulletin of Economics and Statistics* (and probably lots of similar journals) than to publish the combined worst-4 articles in an issue of the *American Economic Review*. Yet few people on funding or promotion committees think about this possibility. My data are consistent with the theoretical argument of Starbuck (2005), who points out, using simple statistical parameterizations, that an error-ridden system would generate empirical patterns of the sort I document.

Although the implication of these data is that labels work too imperfectly to be taken as a sufficient statistic for the quality of an article, this does not automatically mean that peer reviewers can *ex ante* improve upon the journal labels. Perhaps the label is the best that can be done without waiting for 25 years? Nevertheless, simple evidence against such a view comes out of my raw numbers. There are signs that the journal editors had an idea which would be the best papers in that issue of their journal. In the way they assigned the order of publication, those editors turned out, *ex post*, to have what now looks like prior insight. If we regress total cites, y , on publication-order in the journal, x , (that is whether the paper was first, second, third...eighteenth), we find a systematic relationship. Articles higher up a journal go on to acquire more cites over the ensuing quarter of a century. Hudson

(2006), which was not available at the time the first draft of my work was done, finds equivalent results on the statistically significant role of the order of journal papers within an econometric equation explaining citations.

Thus if editors know something — presumably using deep instinct — then so may review panels in, say, a Research Assessment Exercise. Hence those expert individuals should not feel obliged to apply journal labels in a mechanical way. They should use their judgment.

Conclusion

According to the data I collected, it is better, if the criterion is taken to be later citations, to publish the best article in an issue of the *Oxford Bulletin of Economics and Statistics* than to be the author of all four of the worst-4 articles in an issue of the *American Economic Review*. This does not mean that young scholars ought to ignore top journals, nor that research funders should (nor even that I will try to get my papers into little-known journals: I will not). But more maturity of outlook in the profession would surely be sensible.

The publication system in economics is full of error. It routinely pushes high-quality papers into medium-quality journals, and vice versa. Unless hiring committees, promotion boards, and funding bodies are aware of this fact, they are likely to make bad choices about whom to promote and how to allocate resources. It is our ideas, not our labels, that will be remembered after we are dead.

Note:

1. This article draws partly upon results described in Oswald (2006). For helpful discussions on these issues, I thank Danny Blanchflower, Gordon D A Brown, David De Meza, Amanda Goodall, David Laband, Steve Nickell, Mark Stewart, Radu Vranceanu, Ian Walker, Ken Wallis, and Michael Waterson. My thoughts have been heavily influenced by the ideas of, and electronic conversations with, David N Laband. Michael Waterson was the first to suggest to me that order of articles within a journal might be correlated with their citations.

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RES Project on the Evaluation of the Research Performance of UK Economics

The Society has agreed to sponsor a short project on evaluating the research performance of UK economics. The project will examine the use of bibliometric and similar information in assessing research performance in economics for the UK and will help inform the response of the RES and CHUDE to the international benchmarking exercise currently being undertaken by the Economic and Social Research Council and the debate on the use of metrics in the future evaluation of research beyond RAE2008.

The project will employ a research assistant at Keele University under the supervision of Gauthier Lanot and Tim Worrall and the oversight of a sub-group of the CHUDE steering committee. It will be funded for three months (from October/November 2006) with a further three months funding contingent upon an interim report.

The initial phase of the project will draw together existing information on the international standing of UK economics research and assess the merits of the use of different types on bibliometric information. It will assess the information available on the international standing of various sub-fields of the discipline and where possible, evaluate the performance of UK Economics in relation to comparator disciplines. In addition it will aim to assess how valuable are non-traditional sources of information from search facilities and article repositories.

The second phase would, if implemented, attempt to provide both up to date quantitative and qualitative information on the state and prospects for UK research in economics. It is hoped to circulate colleagues with information on the state of the project at regular intervals to benefit from as much collective wisdom as possible.

Any one interested in the project is welcome to contact Tim Worrall (t.s.worrall@keele.ac.uk).

ESRC Seminars in

Accounting, Finance and Economics: 'SAFE'

SAFE aims to provide:

- For the first time in the UK a common arena for those working at the accounting, finance and economics interface, providing points of contact currently lacking in universities at departmental levels
- A face to face forum for the generation of new ideas for research and the development of best practice
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The objectives of SAFE are to stimulate:

- Areas of mutual interest in the economics, accounting & finance area, in order to develop a cohesive, shared research framework
- Greater interaction between practitioners (in the professions, industry and government) and academics, with a view to stimulating research, and in turn to converting research findings into practice
- A greater flow of high quality research output in economics, accounting & finance in leading academic journals, and books with the quality academic press, based on contributions to selected meetings
- As a complement to the above, the further dissemination of research ideas in accessible form in practitioner publications.

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Chairman:

Professor Gavin C Reid

Director, Centre for Research into Industry, Enterprise, Finance and the Firm (CRIEFF), University of St Andrews

Secretary and Treasurer:

Dr Julia A Smith

Strathclyde Business School

Money, Macro and Finance research group

The Money, Macro and Finance Research Group held its 38th Annual Conference at the University of York from the 13th to the 15th October. Vito Polito, University of York, reports below.

In line with its successful tradition, this year's MMFRG Annual Conference proved to be a very popular event. The Conference hosted some 110 papers which stimulated thought provoking and lively discussions among the participants. Keynote speakers included Matthew Canzoneri (Georgetown University), Deborah Lucas (Northwestern University) and Salih Neftci (New York University). Special sessions were organised by the GdR Monnaie et Financement Research Group, the ESRC World Economy and Finance programme and on behalf of the *Journal of Applied Econometrics*.

Plenary sessions

In the first plenary session, Deborah Lucas proposed a new model to tackle the issues of correctly evaluating defined benefit (DB) pension plans and determining the best hedge of pension obligations, with the scope of assessing to what extent a hedging demand might explain the high level of stock holdings in DB pension plans. Lucas suggested that stocks play a much larger role for firms with mostly active workers and relatively few retirees than for firms with many separated and retired workers. In addition, investment in stocks also increases with firms' expected returns on assets, while asset allocation is unaffected by the extent of underfunding, asset volatility, or leverage.

Understanding the driving forces behind national inflation differentials is a matter of political concern especially in the Euro Area. Many economists believe that there may be a case for constraints such as the Stability and Growth Pact if inflation differentials are driven by fiscal policies, while there is no need for constraints if inflation differentials are driven by productivity shocks. In the second plenary session, Matthew Canzoneri addressed the puzzle of the inconvenient positive correlation of interest rates and inflation with output in the U.S., and national inflation and growth differentials in the Euro area. The inconvenience arises because models inspired by the standard New Neoclassical Synthesis (NNS) are unable to replicate these features, since inflation in these models is mainly caused by productivity shocks, rather than demand shocks as suggested by the data. The way for-

ward — as argued by Canzoneri — is by appropriately modeling demand shocks within NNS models.

In the final plenary session of the conference, Salih Neftci delighted the audience by answering the question of why financial markets don't use econometric forecasting. Neftci argued that econometric models fail to capture essential market mechanisms and changes in their stochastic components, because they cannot select and accurately interpret crucial information sent by market participants, especially from those acting as price-setters. Useful models must be simple, fast and easy to understand by the widest possible audience. Neftci pointed out that the high frequency of market changes and the overwhelming amount of information available requires econometric models to be responsive to key signals in order to correctly interpret price movements and capture the market sentiment.

Monetary policy

The use of policy instruments in response to changes of main macro variables were at the centre of several papers of throughout the conference.

Chris Martin (Brunel University) used a regime smooth transition model to argue that policy makers respond to large real exchange rate misalignment rather than the exchange rate itself. Interestingly, the paper suggested that since the overvaluation of the exchange rate also creates downward pressure on inflation, small interest rate changes occur in response to excessive inflation when the real exchange rate is significantly overvalued.

The discussion continued in a session dedicated to 'Optimal Monetary Policy'. Martin Ellison (University of Warwick) studied optimal monetary rules in an open economy model with uncertainty and learning and pointed out that the degree of activism in monetary policy is a function of the extent of international coordination across central banks, with more cautious policies arising when there is no coordination. Pelin Ilbas (Catholic University of Leuven) computed optimal interest rate rules within the DSGE framework and argued that there are significant welfare gains from commitment, due to the stabilization

bias under discretion. Another paper in this session, by Marc-Alexandre Senegasy (University of Bordeaux IV), posed the question of how close are the outcomes of Bayesian versus robust control approaches towards parameter uncertainty in monetary policymaking. Interest rate rules under the two approaches are computed and compared with that of a no-uncertainty benchmark case. His findings suggested that the outcomes of both rules are similar, though both appear to be highly contingent upon the weight that the monetary authorities give to alternative objectives and the robustness aversion of policymakers embodied by the robust control approach.

Macroeconomics

In a session dedicated to ‘Price Setting and Persistence’, Richard Mash (University of Oxford) argued that models in which the degree of indexing is fixed are vulnerable to the Lucas critique and explored the consequences of endogenising the degree of indexing. Mash found that the degree of indexing depends on firms’ perceptions of persistence in the economy. In addition, the assessment of interactions between perceived and actual persistence suggests that if firms adjust their indexing behaviour to actual persistence, lagged inflation disappears from the Phillips curve and models no longer predict persistence. In the same session, Huw Dixon (University of York) went on to consider how steady state distributions of ages and related hazard rates, consistent with a generalised Taylor economy or a Calvo model with duration dependent reset probabilities, can be represented as a distribution across firms of completed contract lengths. The paper showed that equivalent distributions have different degrees of forward lookingness and imply different behaviour in response to monetary shocks. Alper Cenesiz (University of Saarland) completed the discussion on price setting by presenting a paper describing a new cost channel of monetary policy transmission within a small scale, dynamic, general equilibrium model. This cost channel implies that the frequency of price adjustment increases in the nominal interest rate. In addition, it helps to explain both the muted and delayed response of inflation and the persistence of the output response to monetary policy shocks.

Financial economics

Several sessions of the conference were dedicated to both theoretical and empirical implications arising from the interaction between macroeconomics and financial markets. In a session on ‘Term Structure and the Macro Economy’, Peter Spencer (University of York) presented a macro-finance model of the UK economy to explain the behaviour of the gilt-edged bond market. By allowing the volatility of macroeconomic variables to be conditioned by the underlying level of inflation, the model explains the much lower level of output, interest rate and inflation volatility seen in recent years as a result of the fall in the underlying rate of inflation.

The conference included a special session on ‘Financial Market Regulation and Stability’ sponsored by the ESRC World Economy and Finance Program, as well as several papers discussing the role of the banking system towards the overall efficiency and stability of financial markets. Among these works, Birgit Schmitz (University of Bonn) presented a panel data analysis, which corroborates the hypothesis that capital regulations on minimum capital requirement for banks currently in place in the European Union have a negative effect on bank lending. Schmitz found that changes in bank loans were positively correlated with changes in capital availability, in turn suggesting that limited capital availability negatively affected loan supply. Clemens Kool (University of Utrecht) investigated credit default swap (CDS) spreads for 18 major European banks between December 2001 and January 2004. Kool found that two nonstationary common factors can be extracted from the data, which together account for most of the CDS spread variation over time and across banks. German and some Southern-European banks appear to systematically have high CDS spreads and to be relatively sensitive to changes in the underlying factors. Although the dominating first common factor impacts on all banks in a similar direction, suggesting strong market integration, Kool found also that the quantitatively less important second factor has opposite effects on credit spreads of Southern European versus Northern European banks, which suggests some remaining country-specific or region-specific credit risks.

Macroeconometrics

Several topics were covered throughout the conference, with special attention given to exchange rates and emerging markets.

On day one of the conference, an invited session on ‘Real Time Macro Data’ was sponsored by the *Journal of Applied Econometrics*. Contributions included ‘Revisions Analysis for the National Accounts at ONS’ by Heather Robinson (ONS), ‘A State Space Approach of the Policymakers Data Uncertainty Problem’ (Bank of England), ‘Nowcasting GDP and Inflation: The Real Time Informational Content of Macroeconomic Releases’ by Domenico Giannone (Université Libre de Bruxelles), Lucrezia Reichlin (ECB) and David Small (FRS), and ‘A Real Time Analysis of the Swiss Current Account’ by Jan Jacobs (University of Groningen) and Jan-Egbert Sturm (Swiss Institute for Business Cycle Research).

The conference also saw the delivery of an invited session on international macro sponsored by the GdR Monnaie et Financement Research Group. Papers in this session included ‘The financial integration of China: New evidence on temporally aggregated data for the A-share market’ by Eric Girardin (GREQAM) and ‘Hot Money Inflows in China: How the People’s Bank of China Took up the Challenge’ by Vincent Bouvatier (Université Paris 1, Panthéon Sorbonne).

A session focused on Business Cycles included contributions on 'Constructing Historical Euro Area Data' by Mardi Dungey (University of Cambridge), 'Using the Dynamic Bi-Factor Model with Markov Switching to Predict the Cyclical Turns in the Large European Economies' by Konstantin Kholodilin (DIW Berlin), '(How) Do Stock Market Returns React to Monetary Policy?' by Ansgar Belke (University of Hohenheim) and 'Retirement, health, unemployment, the business cycle and automatic stabilization in the OECD' by Julia Darby (Strathclyde University)

Given the large number of participants, it is not possible to do justice to all of the ideas and research presented at the conference. However, the full program and all conference papers are available for download at: <http://www.york.ac.uk/res/mmf>.

Correction: The report on the 2005 MMF conference published in the *RES Newsletter*, October 2005 was written by Kavita Sirichand (University of Leicester).

People on the move

JOINING THE DEPARTMENT OF ECONOMICS AT THE UNIVERSITY OF KENT AT CANTERBURY this autumn are: Amanda Gosling, senior lecturer (from the University of Exeter); Katsuyuki Shibayama, lecturer (from the University of Essex) and Anna Stepanova, lecturer (from the London School of Economics).

THE DEPARTMENT OF ECONOMICS AT WARWICK UNIVERSITY is pleased to announce six new academic appointments from 1 September: Assistant professors Andres Carvajal, Dennis Novy, and Dezsoe Szalay; associate professor Iwan Barankay; professor of econometrics Valentina Corradi; and, jointly with the Centre for the Study of Globalisation and Regionalisation, RCUK Fellow in the economics of globalisation Nikolaus Wolf. Additionally, Andrew Oswald is at the start of three years as ESRC professorial fellow in Economics and Wellbeing.

NEW APPOINTMENTS IN THE DEPARTMENT OF ECONOMICS AT MANCHESTER UNIVERSITY: Alastair Hall (Department of Economics, College of Management, North Carolina State University) to a chair in econometrics, from 1st January 2007; Ada Wossink (Department of Agricultural & Resource Economics, North Carolina State University) to a chair in environmental economics, from 1st January 2007; Reyer Gerlagh (Department of Economics and Technology, Institute for Environmental Studies, Vrije Universiteit, Amsterdam) to a chair in environmental economics, from 1st September 2006.

Intute: the best of the web

Intute is the new face of the Resource Discovery Network (RDN), and is a free national service enabling lecturers, researchers and students to discover and access quality Internet resources.

Intute: Economics has been created by bringing together two of the Hubs of the Resource Discovery Network: Altis and SOSIG. The new service provides information and tools to help academics access the best of the Web in the social sciences.

It covers the main subject areas taught in the Economics curriculum — macroeconomics, microeconomics, economic theories, financial economics, international economics, and development economics.

Intute: Economics also provides:

- Listings of Economics conferences and events
- Links to University teaching departments in the UK
- Subject news via the Intute: Economics blog
- MyIntute for email updates on new sites
- Newsround service from other Economics sites

<http://www.intute.ac.uk/socialsciences/economics/>

New Internet Economist tutorial

A new edition of the 'Internet Economist' online tutorial has been released in the Intute Virtual Training Suite at:

<http://www.vts.intute.ac.uk/he/tutorial/economist>

The tutorial, which teaches Internet research skills for students, has been completely updated and revised by Dr. Martin Poulter of the Economics Network.

The tutorial recommends key Internet resources for education and research; offers advice on Internet searching, with improved interactive exercises; and has a new section called 'Success Stories' to illustrate how the Internet can be used effectively to support education and research.

The tutorial adopts a new pedagogic and Web design, giving it a new look and feel with improved graphics and interactivity.

British Association for the Advancement of Science

Festival of Science 2006

~ Section F (Economics)

The economics session (Section F) at this year's annual BA Festival of Science took place on Wednesday 6 September at the University of East Anglia, Norwich. This report was prepared by David Dickinson, University of Birmingham, Secretary to Section F.

This year's President, Professor Sir Partha Dasgupta, FBA FRS, past President of RES, took the unusual step of organising an event that included not only economists, but also ecologists and environmental scientists. The subject for the event was 'ecological economics' and the theme was 'natural capital and its role in economic activity'. Sir Partha began the programme for the day by reminding the audience that Nature is a capital asset, and so, in that respect, should be regarded in the same way as those capital assets (manufactured capital, human capital, and knowledge) that form the basis of the economist's inquiry into the progress and regress of nations. He noted the distinction between stocks and flows and criticized the use of GDP growth as an index of 'sustainable development'. He argued that, for the latter purpose, national accountants ought instead to be estimating the 'inclusive wealth' (the aggregate social value of the set of all capital assets) of nations. He remarked that the advances that have taken place in ecological economics in recent years have owed much to collaboration between ecologists and economists. Among those advances is a heightened awareness of the ubiquity of non-linearities in ecological

processes and the inability of the price mechanism - even a complete specification of property rights — to allocate resources efficiently. Those advances, he observed, were the good news. The bad news, he noted, is the persistence with which academic economists (including development economists) and economic journalists have regarded Nature as a luxury good and used wrong discount rates to justify delays in taking action against the degradation of natural capital. As illustration, he quoted several times from *The Economist* and remarked, playfully, that he relished exposing *The Economist's* faulty economic reasoning when it comes to environmental matters because its writers are (i) highly intelligent, (ii) hugely influential, and (iii) never in doubt. He also warned the audience that, now that climate change is at last on the international

agenda, there is a danger that such other critical issues as habitat destruction, biodiversity loss, and population growth will be sidelined. Each of these themes was taken up during the day by invited speakers.

The first invited speaker was the Crafoord Prize winning ecologist and evolutionary biologist, Paul Ehrlich. We know of Professor Ehrlich from his scholarly and impassioned writings on demography and ecology; what we did not know of is his ability to inject humour even when exploring some of the gravest problems Humanity faces today. An overriding weakness in current environmental policy debates, Professor Ehrlich noted, is a lack of appreciation of the interconnectedness of natural processes. He illustrated that interconnectedness by describing the role bio-diversity plays in stabilizing global climate and

“ He noted the distinction between stocks and flows and criticized the use of GDP growth as an index of 'sustainable development'. He argued that, for the latter purpose, national accountants ought instead to be estimating the 'inclusive wealth' (the aggregate social value of the set of all capital assets) of nations. ”

remarked that this role often remains unmentioned in policy debates on climate change. He then added land use as a factor of importance and showed us how changes in agricultural practices have consequences for the environment. President Bush's policies appeared frequently in Professor Ehrlich's account of environmental mis-

management and he portrayed the current situation as one where we were living off our natural capital in a way that was unsustainable.

The second speaker was Nobel Laureate Kenneth Arrow. Professor Arrow began by explaining — to what was for Section F a largely lay audience — the way economists conceptualise intergenerational well-being. He developed the idea of social rates of discount on aggregate consumption and, more generally, that of shadow prices for goods and services in an imperfect world. He showed how the economist's framework for studying the allocation of resources across the generations is able to incorporate various forms of natural capital and went on to identify those economic parameters that are most likely to

influence our choice among alternative climate policies. Professor Arrow reported new estimates he and his colleagues have made of changes in inclusive wealth in the US and China during the past few years. His tentative conclusion was that inclusive wealth in both China and the US, relative to their populations, had increased despite large increases in carbon concentration in the atmosphere. But he stressed that the capital theoretic model on which his estimates are based neglects large numbers of natural capital assets (soil, the atmosphere as a sink for pollutants, and ecosystems more generally), implying that his estimates portray a more favourable picture than is the case.

The third speaker was Professor Scott Barrett of The Johns Hopkins University (and author of *Environment and Statecraft*, 2003), who offered a perspective on the concept of 'global' public goods by conducting simple exercises on the free-rider problem in an international context. Professor Barrett illustrated his talk with the eradication of smallpox, a movement that was spearheaded by the World Health Organization. He argued that as long as an individual country enjoyed benefits in excess of the costs of introducing an eradication policy (a nationwide vaccination programme) there is no free-rider problem. In the case of smallpox, though, the benefits far exceeded the costs, so it remains a puzzle why it took so long to get international agreement. He sketched a few possible 'political economy' issues as possible reasons and expressed the fear that international agreement on policies toward reducing the extent of climate change will be extremely hard to reach.

The fourth speaker was Professor Kerry Turner of the University of East Anglia (UEA), who presented the findings of a project he is involved in, which concerns the restoration of wetlands round the coast of Eastern England. It has been recognised by wetland ecologists that the construction of flood defences has damaged the wetlands and other forms of natural capital based on wetlands. Professor Turner's project considered the costs and benefits of measures to restore the wetlands. The findings were unambiguous: in the aggregate there are significant economic gains from restoration. The calculations revealed, however, that some people would lose out if the measures that would be necessary to restore the wetlands were undertaken. For example, local communities who had moved to the coast after flood defenses had been constructed would need to be compensated. Turner reported that the project's findings were, therefore, not uncontroversial.

The final session of the day was conducted by a panel, chaired by the President. The three speakers on the panel made short presentations on the foundations of environmental policy and answered questions from the audience:

Professor Karl-Goran Maler of the Beijer International Institute of Ecological Economics, Stockholm, presented

a formal model of the eutrophication of shallow freshwater lakes to illustrate how non-linearities in ecological processes can lead to hystereses, even irreversibilities. The model in question examined the contamination of lakes by phosphates carried by water runoff from neighbouring farms. The flow of phosphates is an economic good (it fertilizes agricultural land), but as a stock in a lake's water column it is an economic bad. High rates of phosphate runoff can 'flip' a lake from a healthy to an eutrophic state. Maler introduced the concept of 'resilience' of ecosystems as a way to measure the extent to which they can be perturbed without permanent harm.

The next lecturer was the Earth scientist, Professor Andrew Watson FRS, also of UEA, who spoke to the audience of the role science — not just atmospheric science — has played in creating an informed understanding of the mechanisms underlying global climate change. He stressed though that scientists are still far from being able to predict the effects of climate change on the functioning of ecosystems with any reliability. Professor Watson noted the wide dispersion of currently available estimates of those effects. He suggested that in part this hazyness was a reflection of our highly imperfect knowledge of the myriad of feedback loops within the Earth System. Watson's lecture raised an interesting paradox: it can be that the more we know a phenomenon, the less we know about the phenomenon.

The final presentation was made by the ecologist and conservation biologist, Professor Gretchen Daily of Stanford University (editor of the highly influential book, *Ecosystem Services*, 1997). Professor Daily reviewed a large project she is currently directing (in Costa Rica), which investigates how incentives offered to local population actually affect their behaviour and how that in turn affects the local natural resource base. She reported quantitative estimates of the productivity advantages agricultural farms that are contiguous to forest patches enjoy over farms that are farther from those patches. (Pollinators breeding in forest patches can travel only that far!) Among the several other cases she discussed was one where farmers were paid not to pollute the nearby river. Professor Daily then used her findings to introduce a schema for analysing public policy, the private decisions that are then made, the resulting impact on local ecosystems, and the value of those impacts in monetary terms.

The lectures and the discussion that followed were highly stimulating and informative. Above all, the day's events illustrated the point that in order to confront environmental problems, it is necessary for earth scientists and economists to work together, something that this year's Section F President saw as his motivation for bringing this illustrious group of academics together.

Correspondence

Stern on climate change

Sir,

I suggest that Tim Curtin (see his letter in the July 2006 *Newsletter*) read Nicholas Stern's response to his critics in the April-June issue of *World Economics*. To me, this response was wholly convincing and I for one am thankful that it is Professor Stern who is leading the 'Review of the Economics of Climate Change' and not his detractors. Stern can speak for himself but I would like to touch on each of his three main points.

Firstly, *the science*. Stern sets out the overwhelming case, accepted by the large majority of informed scientists, that climate change is occurring due to anthropomorphic effects. When I first encountered the theory of climate change in the early 1990s, I was mortified that I had not thought of it myself as it dawned on me that it was no more than common sense that releasing carbon dioxide and other greenhouse gases into the atmosphere on a large scale *must* be a matter for concern. Some 75 per cent of the mass of the atmosphere is contained in the troposphere, a troublingly thin layer averaging no more than about 12 km in height, the distance say from Kew to Westminster (the diameter of the earth is a *thousand* times greater), and atmospheric composition has been shown to have had major impact in the geological record. The question arises how fast climate is changing. In the early 1990s, few imagined that by 2005 there would be clear evidence of rising temperatures: 2020-2025 was thought a more reasonable time scale. Yet clear demonstrable evidence is already available, and not just in estimates of temperature rise but also in numerous corroboratory areas — glaciers, ice sheets, coral reefs, species shifts, cyclone incidence, rainfall patterns etc. etc.

Which brings me to Stern's second point: *The Role of Uncertainty*. It amazes me that neither risk nor uncertainty are so much as mentioned in Professor Curtin's letter, and that they are raised by Byatt, Henderson *et al* in their *World Economics* note only to mock Stern's case: '*... understandably, in view of what is presumed (in Stern's argument) about "the science", the whole emphasis is on the risks and dangers arising from anthropomorphic global warming*' (italics in the original). What on earth do they mean — are not the risks and dangers important? They even go on to argue that uncertainties are a reason for *not* taking action: 'What is said (by Stern) about the scientific aspects gives insufficient weight to the pervasive uncertainties which still surround projections of climate change...'. Which of course misses the whole point. I ensure my house not because I expect it to burn down but because it might burn down. How much more critical

to take out a good insurance policy on our planet, given that the expectations of the early-90s have already been greatly exceeded and that we cannot know for certain what the odds are. I simply do not understand those who question the 'precautionary principle' in this context. Quite apart from anticipated damage from temperature rise and associated effects, Professor Curtin must be aware of the possible tipping points (release of methane from the permafrost, reversal of the Atlantic Conveyor etc.).

Stern's third point is: *The Need for Serious Economic Analysis*. One would think that his critics would have something to say on the incorporation of risk in the economic analysis and recognise that, in Stern's words, 'in the absence of a policy framework ... incentives to develop and adopt less carbon-intensive technologies are and will remain absent'. This is exactly what I thought when I attended a World Bank debate in about 1992, led by Laurence Summers, when he and his guest similarly failed to so much as mention risk. They, like Curtin and the Copenhagen group, had an almost touching belief in models and projections that purport to show that it would be more costly to anticipate global warming than to respond to its effects. By way of illustration Curtin concludes that: 'the benefit to the UK of avoiding climate change has to be \$19 billion a year from 2050 to 2100, for a total of \$950 billion relative to the cost of \$80 billion ... (and that even if other countries follow the UK's lead) ... \$950 billion seems a gross over-estimate of the costs of droughts and occasional flooding in East Anglia and other parts of the country relative to Stern's neglect of the benefits of longer growing seasons'.

This last quotation reminds me painfully of the World Bank's approach to sensitivity analysis in project appraisal. After testing benefits and costs by $\pm 20\%$ or some such figure, appraisal documents typically conclude, 'even under the worst case assumptions, the project remains viable'. But I can quote examples in my field — irrigation and water — for which in retrospect it is arguable that assumptions were mistaken by an order of magnitude, that benefits were little more than zero, and where modelling results were totally at variance with any reasonable explanation of what actually transpired. And this for conventional water projects! Again in Stern's words: 'Assessing the merits of policies of mitigation and adaptation requires the comparison of very different possible paths for economic development. This is a problem in non-marginal dynamic stochastic cost-benefit analysis quite different from the usual project appraisal approach to cost-benefit analysis that treats macroeconomic parameters such as growth rates and discount factors as given and known'. Perhaps serious economic analysis requires

more than an assessment ‘of the costs of droughts and occasional flooding in East Anglia ...’, even allowing for longer growing seasons.

Yours sincerely

D J W Berkoff
Chairman,
International Consulting Economists’ Association (ICEA)

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Tim Curtin replies...

Sir,

I am grateful to Jeremy Berkoff for crystallising even if inadvertently some more of the basic errors in the work of Nicholas Stern on climate change.

I have read Stern’s rejoinder to Byatt *et al* in *World Economics*. Not the least of his omissions is any reference to the demolition of the infamous ‘hockey stick’ portrayal of global temperature in the last millennium on which they relied so heavily (Fig. 1 in the technical annex to Stern’s *Economics of climate change*). Wegman *et al* (2006) have confirmed the McIntyre-McKittrick (2005) exposure of the statistical blunders perpetrated by the inventors of the hockey stick (which eliminates the Medieval Warm Period and Little Ice Age thereby helping to justify the IPCC correlation between carbon dioxide emissions and temperature change since 1900).

The Treasury’s literature review also overlooks the papers by De Laat and Maurellis (2006) and Pielke and Matsui (2005). The first casts very serious doubt on the extent to which global warming can be attributed exclusively to carbon dioxide emissions, showing that ‘over the last two decades non-GHG anthropogenic processes [e.g. heat generated by industrial consumption of energy, my italics] have also contributed significantly to surface temperature changes.’ This if valid has disconcerting policy implications since it suggests that mere reductions in CO₂ emissions by such expedients as carbon sequestration will not be enough, and that energy usage is itself the main culprit if such there be.

Similarly Stern’s dismissal of the urban heat island effect cited only one paper on the subject, Parker (2004), but Pielke and Matsui (2005, §22) find that Parker’s work cannot be ‘used to conclude whether or not there is an influence of urban warming on the large scale temperature trends’, and also raise the issue of ‘what is actually meant by the term “surface temperature trend”... the reported regionally- and globally-averaged surface tem-

peratures trends have unresolved uncertainties’. Thus these papers, both in specialised peer-reviewed journals, deal body-blows to the whole scientific basis for Kyoto.

Berkoff’s second criticism is that I did not deal with the risks and uncertainties of climate change science and economics. Much as I would like to cover all issues in the space of a short letter, one has to select. But since Berkoff raises it and says ‘I insure my house not because I expect it to burn down but because it might burn down’, it is fair to say that his home insurance premium is a tiny fraction of the value of his house, reflecting very low probability of such an event in Cambridge (with the much higher probability of bush fires in Canberra, my annual premium is 0.25 per cent of the value of my house and contents). Using that as a yardstick, the 50 per cent reduction in energy use from the 1990 level by 2050 demanded by the British government seems a high price to pay for avoiding the IPCC’s Third Assessment (Synthesis Report, 2001) ‘likely’ probability (66-90 per cent) of temperature increases by 2100 of at most 5°, especially when the IPCC admits it has only ‘low confidence’ (5-33%) in its predictions of negative socio-economic consequences from that level of warming

Berkoff’s final comment on the deficiencies in World Bank cost-benefit analysis of irrigation projects is apt and one I wholly agree with from my own experience, but is applicable even more strongly to the IPCC’s economic analysis, where benefits of avoidance of climate change are indeed ‘little more than zero, and where modelling results [are] totally at variance with any reasonable explanation’. He ends with Stern’s claim that what is required is ‘non-marginal dynamic stochastic cost-benefit analysis quite different from the usual project appraisal approach to cost-benefit analysis that treats macroeconomic parameters such as growth rates and discount factors as given’. That is a good summary of the IPCC’s approach, and like Berkoff I keenly await Stern’s non-marginal dynamic stochastic analysis with variable growth rates and discount factors.

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Economics should look eastward

Sir,

The *Economic Journal* (no. 512, June 2006) deserves our appreciation for the feature 'Where Economics and Philosophy Meet', based upon the publication of the *Elgar Companion in Economics and Philosophy* (eds. Davis, Marciano and Runde, 2004). Seven contributors, including these three authors and four reviewers (Boettke, Coyne, Schabas and Guala) introduce the feature with the remark that economics came of age only after the Second World War. This may be true only of the Western view of economics, and that only on the basis of some three limited angles of vision.

Firstly, at the end of the nineteenth century, Alfred Nobel did not include economic science in his will as a prize-winning discipline. It was only in 1968 that the Bank of Sweden made a subsidiary endowment for the same, so that Ragnar Frisch and Jan Tinbergen were the first (joint) winners of the Nobel Prize in Economics for 1969. Some legal problems later emerged and Amartya Sen's Nobel Prize of 1998 was challenged in a writ which, of course, was summarily dismissed by the Calcutta High Court.

Secondly, after 1945, many developing countries looked upon the IMF-World Bank lobby, including the 'nationalised' and 'internationalised' economists with the same, as incarnations of 'Kuber' (the God of Wealth).

Thirdly, a lot of prestige came to attach to econometricians, mathematical economists and managers of operations research. Thus, several of the recent Nobel awards in economics went, *de facto*, to mathematics (which also, in spite of its age, failed to find a place in Alfred Nobel's will) now thriving on game theory and its sister concepts. Here I should refer to my own *The Commercial Society* (New Delhi: Westvill Publishing House, 1994). 'India has been the home of the science of mathematics, though not many even in this country are sufficiently conscious of it'. (p.35).

Somehow, the learned contributors to the *EJ* feature have failed to look eastward, where economics has had its origin in *Rigveda*, the oldest book of original knowledge, supplemented by many other established scriptures of ancient India. They refer to such basic concepts as population, rent, wages, interest, profit, taxes, exchange, production consumption and universal welfare. Their distinctive focus was on 'abundance' and not on 'economics of scarcity' as propounded by Lionel Robbins of the London School of Economics and others in the Western world. Kautilya's *Arthashastra* (Economics), a very comprehensive treatise, was written in India's Mauryan regime, well before the dawn of the Christian era, some two thousand years before the publication of Adam Smith's *Wealth of Nations* (1776).

The contributors have rightly refused to accept Smith as the father of economics, a common myth in many text-

books. But that is not enough. Kautilya needs to be given his due as the forefather of economics. The innovative distinction between consumption, investment and welfare expenditure (along with the critical need to maintain appropriate balance between these three dimensions of public expenditure) was his unique contribution to macroeconomics. Kautilya laid down not only rules of the game but also the strategies of implementation. The *Lohadhyaksa* of his time could be compared to present-day Steel Authority of India (SAIL) or even with the instant Arcelor-Mittal deal (June 2006). Kautilya's prescription that 'three' is an ideal number of members for a Public Board was adopted (even if accidentally) with great success by USA's TVA established in 1933. Reference may be made to my DLitt thesis, *Theory and Working of State Corporations with Special Reference to India* (London: Allen and Unwin, 1962, p.51).

Even though published in London, *A Philosophical Interpretation of Economics* (London: Allen and Unwin, 1962) by Prof. J K Mehta of the University of Allahabad appears to have escaped the attention of the seven contributors. Prof G L S Shackle, whose name does appear in the review feature, described Mehta's book as '...a beautiful, moving and most deeply interesting book'.

Others with an inclination to pursue contributions from the subcontinent might also like to read my *The Economic Sins of Nations: A Monologue on Economic Discipline* (Kolkata: Progressive Publishers). The last chapter on 'Political Economics' (p.452) reads: 'The term political economy, which was in vogue for long, and which is still used sometimes, is indicative of a paternal bond between politics and the science of economics... For a while, it appeared that economic science had grown into adulthood so that it could get away from the apron strings of the mother. But the developments of half a century ... seem to suggest that economics is very nearly back in the mother's lap.' So, while getting away from politics is impractical, divorcing philosophy, on the part of economics, would mean wholesale erosion in intellectual and moral values of the society. In recent years, a legion of unethical practices in global business have shocked the world, such as the case of Enron Corporation which, after a quantum jump over three years, filed its bankruptcy petition in New York during December 2001. According to Simon Jenkins, while the nineteenth century was the scene of capitalism, and the twentieth century witnessed socialism, the twenty-first century might be an era of charity. (*The Hindu* — India's national newspaper — 29th June 2006).

Bill Gates, (the world's richest) is talking of withdrawing at 50, while Warren Buffet (world's second richest), at 75, has offered to donate \$37bn (over 80 per cent of his fortune). Azim Hasham Premji (India's richest) wants to build a charitable foundation with about Rs 300 crore (\$67mn), roughly half of his tax-free dividend income during 2005-06. So, for the overall benefit of common cit

izens, let there be a long-lasting partnership between economics and philosophy.

Prof. Om Prakash
*Former Vice-Chancellor and Emeritus Fellow,
University of Rajasthan, Jaipur, India*

Jochen Runde replies...

Professor Prakash is right to chide us for failing to consider contributions from the Indian subcontinent. But what we are seeing here is not a lack of interest or, worse still, chauvinism, on the part of individual authors. Rather, the root of the problem is the institutional one that western sources tend to crowd out all others in economics. The situation is made all the worse in this specific instance, since many of the works cited by Professor Prakash suffer the added disadvantage of being quite old or only available in India.

What can be done about the situation? The ever-increasing ease with which information can be gathered and shared electronically will surely help. But that is something that will only go so far. It will also be necessary for more of those with an interest in Indian contributions at the intersection of economics and philosophy, to follow Professor Prakash's lead and to start intervening. Perhaps the time has come for someone to survey these contributions with a Western audience in mind (much as Amartya Sen has done in his survey of the argumentative tradition in India)? I suspect that there would be a great deal of interest in something on these lines, particularly if it speaks to current concerns and debates.

Jochen Runde
*Judge Business School
University of Cambridge*

Society of Business Economists 2006 Rybczynski Prize for Business Economics

This prize is awarded for the best piece of writing in the year of around 3000 words (already published or written especially) on an important real world economic issue meriting wide attention among business economists. It was instituted in 2000 in memory of the late Tad Rybczynski, an eminent economist and former Chairman of the Society.

The Certificate and £3000 Prize will be presented at the Society of Business Economists' Annual Dinner in January 2007 and the winning entry will be published in the Society's Journal *The Business Economist*. The competition is open to UK residents.

For an entry form visit the SBE web-site (<http://www.sbe.co.uk>) or email admin@sbe.co.uk. The closing date for entries is **11 December 2006**.

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The Economics Network provides a range of free services that support university teachers of economics in the UK, including:

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The Economics Network has established a network of key contacts throughout UK Higher Education Institutions. Every economics department or business school that teaches courses with an element of economics has been invited to nominate a key contact. Contacts are people within departments with a keen interest in learning and teaching and often have a responsibility in this area.

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www.economicsnetwork.ac.uk/contact/keycontacts.htm

Obituaries

Alfred Maizels

Alfred Maizels, who has died aged 89, made distinguished contributions to the international literature on trade and development and was a formative influence on the approach of the United Nations Conference on Trade and Development (UNCTAD) towards the problems of developing countries. He was held in great esteem not only by his fellow economists but also by policy makers and officials in the developing world. The Indian Prime Minister, Dr. Manmohan Singh, spoke for many of them when he said how ‘deeply saddened he was by the death of a brilliant economist who had devoted his life to promoting the development of poor countries’.

Maizels was born in Whitechapel in 1917 the third child of a Jewish master tailor who had emigrated from Poland before the First World War. He went to Raine’s Foundation School in Bethnal Green and then to the London School of Economics, graduating with first class honours in 1937 and carrying off the Farr Medal and Prize in Statistics as well. He also met the sociologist Joan Sidey at LSE and they married on May Day in 1942.

Maizels stayed on at LSE for two years in the Research Department as an assistant to both Professor von Hayek and Evan Durbin, two brilliant men at opposite ends of the political spectrum. The contrast no doubt appealed to Maizels’ tolerant nature and sense of humour but there is no doubt that his sympathies were with Durbin, and especially with Durbin’s 1945 riposte to Hayek’s *Road to Serfdom*.

In early 1941 Maizels joined Brian Reddaway and Evan Durbin at the Board of Trade where, in a remarkably short time, they designed the clothing rationing scheme which, according to A J P Taylor, was the most successful of all such systems and a striking instance of how welfare considerations could be upheld despite the privations of wartime. Maizels recalled that they had been given a head-start by British Intelligence who had got hold of a copy of the German rationing plan: ‘it was not bad but we thought we could do a lot better!’

In 1950 he was seconded to the United Nations Economic Commission for Europe (UNECE) in Geneva where Gunnar Myrdal had attracted a galaxy of economists from all over Europe and the United States. Maizels’ task was to take over from W.W. Rostow a major study of the European timber industry, then a crucial sector in the European recovery programme. His careful analysis of the supply and demand for timber was an outstanding piece of work that laid the basis for effectual cooperation among timber producers that continues to this day. It had

all the qualities that would characterise his work throughout a long career: a clear analytical framework setting out the nature of the problem and why it mattered, a meticulous attention to digging out the facts and getting them right, and a pragmatic approach to policy recommendations which paid attention to the politically feasible.

Returning to London Maizels found the Board of Trade worrying (yet again) about the possible impact of industrialisation in the developing (then largely colonial) world on Britain’s own position in the world economy. This led to his secondment to the National Institute of Economic and Social Research in London and to his magisterial *Industrial Growth and World Trade* (1963), a detailed, empirical and historical analysis of the changing structure of world trade in industrial goods in response to industrialisation and rising per capita incomes. His conclusion was optimistic in that he showed that the industrialisation of primary producing countries was generally accompanied by an expansion of imports of manufactures from the developed countries, but he stressed that the relationship was a complex, interactive one in which macro-economic policies as well as technology and a range of other factors were crucial. Whether a *developed* country’s industries would suffer from increased imports of manufactures from the South would depend on their adaptability and whether the country was already caught in a vicious circle of slow growth and declining competitiveness; whether a *developing* country could trigger a virtuous circle of trade and growth would depend on a much wider range of factors and policies than simple trade liberalisation. Maizels was never one to be beguiled by short cuts and quick fixes. This book, for which he received his doctorate from LSE, is still quoted by historians and trade specialists, and is still relevant to current debates about globalisation.

Maizels stayed on at the NIESR where his second book, *Exports and Economic Growth of Developing Countries*, appeared in 1968 to highly complimentary reviews but by then he had left for Geneva where Raúl Prebisch had persuaded him to join the newly created UNCTAD.

Maizels crafted UNCTAD’S basic approach to commodity policy and developed the idea of a Common Fund for stabilising commodity prices, a proposal that was close to Keynes’ 1942 Plan for the International Regulation of Commodities, although, like most economists, he was unaware of the similarity as Keynes’ proposal was only re-discovered in 1973. Maizels had published in the 1968 *American Economic Review* a powerful attack on the neo-liberal view that commodity price fluctuations were not harmful for the economic growth of developing countries. He showed that they were very damaging and argued that government intervention in the commodity markets was both possible and desirable if developing countries were to diversify their economies and trigger a process of sustained growth. Trade economists often exaggerate the influence of trade and trade policy in promoting development, but Maizels always saw commodity policies as part

of a more comprehensive strategy in which countries set their own priorities within a macroeconomic policy framework designed by themselves rather than the IFIs.

The Common Fund was UNCTAD's flagship for the New International Economic Order which ultimately proved unsuccessful, largely because the western industrial countries were unwilling to contemplate measures that might raise commodity prices and, more generally, because they were increasingly reluctant on ideological grounds to 'buck the market'. Maizels had few illusions about how the NIEO and Common Fund proposals would eventually turn out. Professor Gerry Helleiner recalls him saying that, in the end, the objections of the OECD countries to them were not really intellectual; rather they reflected their deep fear of losing their power to shape the global economy in their own interests, something they would never willingly relinquish. Needless to say, his instincts proved accurate.

Maizels was Director of Economic Policy Evaluation and Coordination in UNCTAD between 1974 and his retirement in 1980. He drafted virtually all the Secretary General's speeches in this period and his insistence on solid argument and empirical evidence influenced the work of every division in the organisation. His firm belief in the importance of evidence-based policy proposals was reflected in his active promotion of sound economic research, both within UNCTAD and elsewhere, on the whole range of problems facing the developing countries in their efforts to participate in the world economy. He invited distinguished outsiders, by no means all of them sympathetic to UNCTAD's views, to criticise UNCTAD research and suggest alternative approaches. He also sought to bring economic research institutions in developing countries together, both to trade experiences with one another and to enrich UNCTAD's own work.

Maizels retired from the United Nations in 1980 but promptly took up a succession of research fellowships at University College, London, the UN World Institute for Development Economic Research (WIDER) in Helsinki, and at Queen Elizabeth House, Oxford. In 2004 he was appointed Professorial Research Fellow at the School of Oriental and African Studies in London. In these years he published some twenty-five papers and two books, one of them, *Commodities in Crisis* (1992), reflecting decades of thinking about commodity problems and regarded by many as the definitive work on the subject. He also did ground-breaking work on the terms of trade of labour-intensive manufactures, finding similar trends to those that Prebisch and Singer had observed for primary commodities, and was one of the first to warn of the dangers for developing countries of excessive competition and consequent income losses in such markets, dangers that were amplified by the persistent protectionism of the developed countries.

Alfred Maizels was a man of extremely modest demeanour, but he was held in enormous respect by his

professional colleagues. Ministers and diplomats from developing countries admired him for his integrity and his judgement, and they recognised that his work was always ultimately driven by a concern for social justice and a deep compassion for the poor and the disadvantaged. They trusted him - and that was why he was a very influential member of the UN secretariat.

He will be remembered not only as a fine scholar and an outstanding international civil servant but also as a greatly admired and much-loved human being. He was unfailingly kind and courteous to his colleagues and everyone he met. Young economists, with much to learn, held him in especially high regard. He possessed that rare and precious gift that Charles Dickens once described as 'the ability to see the world clearly with kind eyes'.

He is survived by his wife Joan, his three children, five grandchildren, two great grandchildren, and his younger sister.

Paul Rayment,
*Former Director of Economic Analysis, United Nations
Economic Commission for Europe.*

(With thanks to Dr. Yilmaz Akyüz, Professor Gerry Helleiner, and Dr. Judith Maizels for their valuable help).

Norbert Klotten

In his scholarly career, as an economic adviser, a founding-member and chairman of a number of vibrant domestic and international research and advisory bodies, and as a leading central banker, Norbert Klotten proved himself as an outstanding and — in the words of Günther Oettinger, Prime Minister of Baden-Württemberg — one of the most influential economists of the Federal Republic of Germany, contributing decisively to its reconstruction after world war two and to turning Germany into one of the world's leading industrial nations.

Klotten was born on 12 March 1926 in Sinzig (Germany) where his family had been running their estate for generations and subsequently grew up in the neighbouring more up-market town of Bad Honnef. Norbert and I were fellow students at Bonn University immediately after the war and have been close friends ever since. I was one semester ahead of him and graduated in the summer of 1948 with the degree of Diplom-Volkswirt (Economics), requiring a five-year degree course, with Norbert following in December 1948.¹ After graduating Norbert took his doctorate at Bonn University in 1951 under the supervision of Professor Erwin von Beckerath and Professor Matthias Ernst Kamp. This was followed by his Habilitation (higher doctorate) again at Bonn University under the supervision this time of Professor Erwin von Beckerath in July 1956. This was followed by a short

spell as Visiting Lecturer at the Bologna Center of the School of Advanced International Studies at the Johns Hopkins University Baltimore from 1957 to 1958. During the summer of 1958 he replaced his academic teacher Erwin von Beckerath; and then for the winter semester 1959/60 Professor Hans Peters at the University of Tübingen, after which he was appointed to a permanent professorship in January 1960 at the early age of 33, a prestigious chair of Political Economy at Tübingen University previously held by the famous political economist Friedrich List from 1817 to 1819.

In his early career as an academic, Kloten published extensively in biography and in the history of economic ideas, first on the early Italian school, Enrico Barone and Vilfredo Pareto, to be followed by work on Jean Baptist Say, William Stanley, Jevons, and especially John Stuart Mill, as well as on Alfred Marshall, Gustav Cassel, and, together with von Beckerath, on Lorenz von Stein. The ideas of these economists remained a lasting influence. His active mind kept him abreast of developments in economics, but he remained a liberal conservative in economic theory, very much in the tradition of Walter Eucken and von Beckerath. His conviction of the importance of monetary stability dates from these early teachers. It coloured his whole approach to his support for the establishment of European Monetary Union and the European Central Bank, which reflected, as it turned out, the Bundesbank model. However, there were still sceptical second thoughts. As he pointed out in one of his last writings:²

The Growth and Stability Pact was regarded as an indispensable safeguard of independent fiscal policy pressure resisting stability orientated monetary policy, warranted by constitutional regulations, which guarantee the autonomy of the European Central Bank ... Dismantling the Pact step by step is an historical mischief and a most depressing example of short-sighted opportunism. (p. 19).

When in 1976 he accepted the offer of the Presidency of the Land Central Bank in Baden-Württemberg, the University of Tübingen made him an Honorary Professor, a position he held until his death. Running concurrently with his responsibilities as academic and central banker, Kloten pursued a third major activity, as Professor Albeck pointed out perceptively in his paper at the 80th birthday colloquium for Norbert Kloten on 14 March 2006: his activity as an adviser, especially as a scholarly adviser on the whole political scene — which proved to be his main genius. From 1967 he was a member of the Economic Advisory Council of the Federal Ministry of Economics and was its Chairman from 1992 to 1996. He was a member also, from 1969, of the Sachverständigenrat, the body which advises the Federal Government in Germany. This responsibility, from 1970-1976 as Chairman, ended when he took over the Presidency of the Land Central Bank. In addition to these tasks, he acted in an advisory capacity to

African, and Asian Governments, and in recent years spent much time in China, too. He was also active as a member of the Bretton Woods Commission.

Not surprisingly, while he was at Tübingen University many of the other leading continental universities, such as Frankfurt am Main, Freiburg, Constance, Saarbrücken, Vienna and Munich (twice) all offered him Professorships. The last approach from Munich University (including the Directorship of the highly influential Ifo-Institute) coincided with the offer of the Presidency of the Land Central Bank in Baden-Württemberg. The Munich offer was a tempting one; but Norbert Kloten decided on the Land Central Bank presidency, principally because it made him an *ex officio* member of the policy-making Central Bank Council of the Deutsche Bundesbank at a time when the Bundesbank was, for all practical purposes, determining not only German but European monetary policy. This powerful position he held until reaching retirement age in 1992.

However, Kloten was far from retiring. He had been in close touch with the Institute of Applied Economics in Tübingen (IAW — Institut für Angewandte Wirtschaftsforschung) — since its foundation in 1957 and became President of its parent institution, the Gesellschaft für Angewandte Wirtschaftsforschung (Society of Applied Economics) in 1979, a position he held until 2003 when both bodies were merged and he subsequently became Honorary President of the IAW. Kloten also played an active part as Curator of the Thyssen Stiftung and the Volkswagen Stiftung, encouraging research particularly on system transformations. He also continued to attend meetings of the Trilateral Commission which he regarded as an outstanding international body and was an active participant in the meetings of the Vienna Institute for Comparative Economic Studies.

In England he contributed eleven papers to volumes edited or co-edited by me between 1983 and 2007. These papers, with two exceptions, were published by Macmillan and Palgrave Macmillan respectively. Norbert Kloten, a Roman Catholic himself, felt close to the Von Hügel Institute, a Catholic Foundation at St. Edmund's College, University of Cambridge, and its then Director, the Rev Dr F P McHugh, and I were only too happy to get him actively involved in several of their conferences at which he was one of the most stimulating participants. Their published proceedings have certainly been enriched by his outstanding papers. Most of his English papers during this period are concerned with issues such as the impact of innovations and globalisation of financial markets on monetary policy, the role of central banks in a global competitive environment, the German reunification and currency reform of 1990, and most of all aspects of the European Monetary and Political Union. As a serious and unusual interest Kloten further explored the role of ethics in the regulation of globalised markets. To celebrate Norbert Kloten's 80th birthday in March this

year, the University of Tübingen and the Deutsche Bundesbank jointly arranged a *Festakt* at the University of Tübingen at which the Bundesbank President Professor Axel Weber³ and Professor Hermann Albeck were the main speakers. Most remarkable was the fact that Norbert Klotten close to death with cancer still managed to write his 'Reflections', a detailed account and assessment of his professional life, ending with the words: 'Many of my activities I would today give evaluations different from the time I engaged in them. Nevertheless, there is no reason to regret the course of my life as an economist in any way or to minimise the value of these decades during which they occurred.'⁴ The theologian Professor Peter Hünemann said in his remarkable and deeply moving sermon at Norbert Klotten's funeral: 'Two important aspects form the essence of his self-critical thoughts: He speaks of his life as a researcher (wissenschaftliches Forscherleben) and again and again of his expanding activities as an adviser. Both characterise him, his personality and his activities.' Sadly, he was too ill to present these 'Reflections' himself to his 350 guests, and sitting in his wheelchair facing his guests, they had to be read by his daughter Ilka Klotten. It was a moving moment when, at the end of the paper, he was helped up from his wheelchair to address just a few words of greeting to his guests which led to a standing ovation.

Stephen Frowen
St. Edmund's College, University of Cambridge

Notes:

1. Norbert Klotten (2001), 'Stephen Frowen - an Inspired Mediator in Turbulent Time', in Jens Hölscher (ed.), *50 Years of the German Mark. Essays in Honour of Stephen F. Frowen* (London and New York: Palgrave Macmillan, in association with Anglo-German Foundation for the Study of Industrial Society), pp. xxiv-xxxi.

2. Norbert Klotten (2007), 'Aftermath of the Reunification of Germany: Remarks on Stephen F. Frowen', in Jens Hölscher (ed.), *Germany's Economic Performance. From Unification to Euroization* (London and New York: Palgrave Macmillan, 2007), pp. 15-21.

3. Axel A Weber, 'Unabhängige Geldpolitik in Europe' (Independent Monetary Policy in Europe), Deutsche Bundesbank *Auszüge aus Presseartikeln*, no. 12, page 3, 15 March 2006.

4. Norbert Klotten, 'Reflexionen', Deutsche Bundesbank *Auszüge aus Presseartikeln*, no. 22, page 18, 24 May 2006.

RES news items

RES Annual Conference 2007

The 2007 Annual Conference will be held at the University of Warwick from

Wednesday 11 April to Friday 13 April 2007

Keynote speakers include:

Professor Abhijit Banerjee (MIT)

Professor Marianne Bertrand (University of Chicago)

Professor Al Roth (Harvard)

The Local Organiser of RES2007 is Dr Natalie Chen (res2007@warwick.ac.uk).

The Programme Chair is Dr Jeremy Smith (res2007papers@warwick.ac.uk).

Other information, details on registration, accommodation and other matters — including information on financial support for postgraduate students attending the Conference — is available on the conference website:

www.res.org.uk/society/annualconf.asp

Second PhD Job Market Event

The Society is pleased to announce the second PhD Presentation Meeting which will take place in London at the LSE on **27 and 28 January 2007**. The event will be organised by Professor Oliver Linton.

The aim of this event is to provide a service both for UK economics departments and other European economics departments wishing to recruit lecturers, and for PhD students seeking academic jobs either in the UK or elsewhere in Europe.

Participating departments are expected to use the event as a way of identifying potential candidates for forthcoming positions. Participating students will have the opportunity to meet potential employers and learn about forthcoming positions.

The event will consist of two days of students' presentations. Participating departments will be asked to attend these presentations. They will also be allocated a cubicle at the conference site during the two days of the meeting in order to arrange individual appointments with participating students.

Further information is available at: www.res.org.uk

Support for small academic expenses

The Society is able to offer financial support to members who require small sums for unexpected expenditures. The type of expenditures which could qualify for support under this scheme include travel expenses in connection with independent research work, the purchase of a piece of software, expenses for a speaker at a conference being organised by the applicant's University or Institute, etc.

Applications, in the form of a letter and stating the purpose for which a small grant (maximum £600) is required, should be sent to: Professor Anton Muscatelli, Vice-Principal (Strategy and Budgeting), Daniel Jack Professor of Economics, Adam Smith Building, University of Glasgow, Glasgow G12 8RT.

Please note that the closing dates for applications are

31 January, 31 May, and 30 September

each year and applications will *only* be considered at these times.

Conference grant fund

The Society's Conference Grant Fund is available to members who are presenting a paper, or acting as a principal discussant at a conference; support of up to £500 is available. Awards are made three times a year. The closing dates for applications are

31 January, 31 May, and 30 September

each year in respect of conferences which take place in the ensuing four months. Application forms and further particulars may be obtained from: Professor Anton Muscatelli, Vice-Principal (Strategy and Budgeting), Daniel Jack Professor of Economics, Adam Smith Building, University of Glasgow, Glasgow G12 8RT. Fax: +44 (0)141 330 3547

Annual Public Lecture 2006

Professor Paul Collier will deliver the Society's 2006 Annual Public Lecture in Edinburgh on **28th November**, London on **1st December** (15.30-17.00) and this year also in Sheffield (date to be confirmed).

WAR AND PEACE IN AFRICA

While other developing regions have growth, Africa has become synonymous with poverty and conflict. Continuing divergence would generate unmanageable problems. Tribalism, legacies of colonialism, disease, and IMF policies have all been peddled as explanations. Modern economics can take us beyond the political posturing that has dominated discussion. It offers a distinctive diagnosis of Africa's problems, and a practical agenda for what can be done.

Admission is free but by ticket only. The lecture (including questions) will last approximately an 1.5 hours.

Tickets may be obtained by emailing:
Edinburgh: economics.res.event@ed.ac.uk
London / Sheffield: res@london.edu

2007 Easter School

The seventeenth Easter School organised by the Society, with financial support from the Economic and Social Research Council, will be held at the University of Birmingham from **Sunday 15th - Thursday 19th April 2007**. The School is intended primarily for advanced post-graduate students but is also open to members of the teaching and research staff. The purpose is to enable participants to become acquainted with the latest developments in the selected field of economics, to have the opportunity for study and discussion with two leading authorities in this field, and to meet other graduate students.

In 2007, the subject of the school will be International Economics; the lecturers will be

Professor Philip Lane (Trinity College, Dublin)

Professor Peter Neary (University of Oxford)

Further information on topics can be obtained from the Easter School web site at:

www.bham.ac.uk/economics/easterschool/index.htm

Places are available for 25 resident students. Accommodation and meals will be provided for the duration of the course. Nominations must be made through the applicant's Head of Department and should be supported by a short CV, a reference, and a note on the applicant's research interests.

Applications should be submitted no later than **8 January 2007** to The Secretary, Royal Economic Society Easter School, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT. Successful applicants will be informed in early February 2007.

Titles for degrees in the UK

A list of thesis titles of higher degrees in economics, taken entirely by thesis or dissertation and awarded in the United Kingdom during the academic year 2005-2006 will be published in the June 2007 issue of the *Economic Journal*. Degrees already awarded in 2004-2005 may also be included. The subject classification is that used by the *Economic Journal* for Book Notes; this classification is derived from the one devised by the American Economic Association and used in the *Journal of Economic Literature* since March 1991.

Details required for publication are:

Name of author

Title of thesis

Type of degree (MA, M.Sc., D.Phil., Ph.D.)

Date of award

Where thesis can be consulted

Classification (using *Journal of Economic Literature* classification)

Information should be sent by 20 December 2006 to Eleanor Burke, Royal Economic Society, London Business School, Regent's Park, London NW1 4SA (E-mail: eburke@london.edu).

Conference diary

2006

october

19-20 October Athens, Greece

Conference on **Rick Econometrics** organised by the Applied Econometrics Association.

Further information from: www.aea-eu.com/2006/Athens

november

1-3 November Nottingham

Fifth international conference on **Money, Investment and Risk** to be held at Nottingham Trent University.

Further information from: www.ntu.ac.uk/nbs/school/acad/afe/35535gp.html

2-4 November Lisbon, Portugal

Annual conference of **ASSET** to be held at the Universidade Católica Portuguesa.

Further information from: www2.fcee.lisboa.ucp.pt/asset2006/index.htm

december

11-12 December London

Conference on **Breaks and persistence in econometrics** to be held at Cass Business School. Modelling and testing for structural changes and persistence in economics and finance has been an important research topic in time series econometrics, with noticeable recent developments in panel data.

Further information from: Giovanni Urga (g.urga@city.ac.uk) or <http://www.cass.city.ac.uk/conferences/BreaksandPersistence/index.html>

13-15 December Rome, Italy

Fifteenth international conference on **Banking and Finance**.

Further information from: <http://www.economia.uniroma2.it/nuovo/home.asp>

13-15 December New Delhi, India

Third annual conference on **Economic Growth and Development** organised by The Policy and Planning Research Unit (PPRU). The Conference aims to provide a forum for dissemination of modern research in economic growth and development economics using both theoretical and empirical approaches.

Further information from: www.isid.ac.in/~planning/conference%20Dec%202006.html or E-mail: isid_dev@isid.ac.in

14-16 December Dunkerque, France

Conference on **The European Russia**.

Further information from: www-heb.univ-littoral.fr/trii

22-24 December Nice, France

Eleventh international conference of the **J A Schumpeter Society**.

Further information from: www.schumpeter2006.org/

2007

january

19-20 January Antwerp, Belgium

Second annual meeting of the **Households in Conflict Network**.

Further information from: E-mail: second@hicn.org or www.hicn.org

22-23 January Rimini, Italy

Second Italian congress of **Econometrics and Empirical Economics**.

Further information from:
<http://www.cide.info/conf/congress.php>

february

1-2 February Bangkok, Thailand

Second international conference on **Valuing Infrastructure and Utility Properties**.

Further information from:
E-mail: pattama@thaiappraisal.org

2 February Staffordshire

First meeting on **Nonlinear Economics and Finance Research Community** to be held at Keele University.

Further information from: www.keele.ac.uk/research/ppm/research/NLEconomics.htm

26-27 February

Washington, USA

Conference on **The Frontiers of Environmental Economics**.

Further information from: www.rff.org/rff/events/frontiers-of-environmental-economics.cfm

march

27-28 March

Beijing, China

Conference on **Opening and Innovation on Financial Emerging Markets**.

Further information from: www.cepii.com/anglais-graph/news/call/call27280307.htm

april

2-4 April

Perth, Scotland

CALL FOR PAPERS

Annual conference of the **Scottish Economic Society**. Abstracts must be submitted electronically by **15 December** in Word format via e-mail to Anne Gasteen (a.gasteen@gcal.ac.uk).

Further information from: Anne Gasteen at above e-mail address. Tel: 0141 331 3320, Fax: 0141 331 3293
www.scotecsoc.org/homePage.htm

11-13 April

Warwick

Annual conference of the **Royal Economic Society** to be held at the University of Warwick.

Further information from: see page 23 above or www.res.org.uk

15-19 April

Birmingham

Seventeenth annual RES Easter School to be held at the University of Birmingham. Full information on page 24 above.

Further information from:

www.economics.bham.ac.uk/easterschool/index.htm

may

24-26 May

Rethymno, Greece

CALL FOR PAPERS

Eleventh conference on Macroeconomic Analysis and International Finance. Papers should be submitted by **31 December 2006**.

Further information from:

<http://www.soc.uoc.gr/macro/11conf/index.php>

june

1-3 June

Utah, United States

CALL FOR PAPERS

Conference on Economic Pluralism for the 21st Century. Papers should be submitted by **15 January 2007**.

Further information from: <http://www.icape.org/>

1-3 June

Nova Scotia, Canada

CALL FOR PAPERS

Forty-first annual meeting of the Canadian Economics Association (CEA). Papers should be submitted by 28 February 2007.

Further information from:

<http://www.economics.ca/2007/>

july

13 - 15 July

Bristol

CALL FOR PAPERS

The Ninth Annual Conference of the Association of Heterodox Economics (AHE) will be held at the University of the West of England on the theme of **Pluralism in Action**.

Proposals for single papers: please send an abstract of not more than 500 words by email only to the local organiser, Andrew Mearman (andrew.mearman@uwe.ac.uk), AND the programme coordinator, Alan Freeman (afreeman@iwgvt.org), by **19th January 2007**. Text, HTML, Word and PDF format attachments are acceptable.

Proposals for sessions and streams: please indicate exactly what you are proposing, giving the names and email addresses of the proposed speakers, and attaching the abstracts (of not more than 500 words each) for their papers. Send by email to Andrew Mearman and Alan Freeman, as above, by **Friday 19th January 2007**.

Further information from: www.hetecon.com

Membership of the Royal Economic Society

Membership is open to anyone with an active interest in economic matters.

The benefits of membership include:

- Copies of the *Economic Journal*, the journal of the society, eight times a year.

The *Economic Journal* is one of the oldest and most distinguished of the economic journals and a key source for professional economists in higher education, business, government service and the financial sector. It represents unbeatable value for those who want to keep abreast of current thinking in economics. Issues are divided into those containing 'Articles' — the best new refereed work in the discipline — and 'Features' including symposia and regular features on data, policy and technology.

- On-line access to *The Econometrics Journal*, a new electronic journal published by the Royal Economic Society and Blackwell Publishers. The journal seeks particularly to encourage reporting of new developments in the context of important applied problems and to promote a focus for debate about alternative approaches.

- Copies of the Society's *Newsletter*. This is published four times a year and offers an invaluable information service on conferences, visiting scholars, and other professional news as well as feature articles, letters and reports.

- The right to submit articles to the *Economic Journal* without payment of a submission fee.

- Discounts on registration fees for the Society's annual conference.

- Discounted prices for copies (for personal use only) of scholarly publications.

- The opportunity to take advantage of the grants, bursaries and scholarships offered to members of the Society.

Details and application form are available from:
The Membership Secretary, Royal Economic Society, University of York, Heslington, York, YO10 5DD.

Membership rates for 2006 are £48 (\$77, 68)*

There is a reduced rate of £22.50 (\$36) for members who reside in developing countries (with per capita incomes below US\$500) and for retired members. A special offer of three years membership for the price of one at this reduced rate is available to full-time students who join the Society for the first time in 2006.

* All customers in the EU should add 5 per cent VAT to these prices or provide a VAT registration number or evidence of entitlement to exemption. Canadian customers please add 7 per cent GST or provide evidence of exemption.

Ordinary UK member: £48 + £2.40VAT = £50.40
Ordinary EU member: 68 + 3.40 = 71.40
Ordinary Canadian member \$77 + \$5.39 = \$82.39
Reduced rate members: \$39/ 34/£24 + GST/VAT as appropriate.

If you would like to join the Society, complete the adjacent application form and return it to the Membership Secretary at the address above.

Please enter my name as an applicant for membership of the Royal Economic Society. I enclose a cheque for

..... in payment of my subscription for 2005.

Name:

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Address:

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Occupation.....

Date.....